

**CALIFORNIA POLLUTION CONTROL
FINANCING AUTHORITY**

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January 20, 2009

MEMBERS:

Bill Lockyer, Chairman
State Treasurer

John Chiang
State Controller

Michael C. Genest, Director
Department of Finance

EXECUTIVE DIRECTOR:

Michael Paparian

**California Capital Access Program (CalCAP)
Notice of Emergency Regulations**

The California Pollution Control Financing Authority (CPCFA) organized and operating pursuant to Sections 44500 through 44563 of the California Health and Safety Code proposes to adopt the proposed regulations after considering all comments, objections, and recommendations regarding the proposed action.

CPCFA proposes to amend Sections 8070, 8072, 8076 and 8078, of Title 4 of the California Code of Regulations (the "Amended Capital Access Regulations") concerning the administration of the Capital Access Program for Small Businesses (the "Program"). These regulations will be adopted on an emergency basis on January 3, 2009.

In accordance with its authority under Health and Safety Code Section 44520(b), the California Pollution Control Financing Authority is proposing to adopt the regulations as emergency regulations. The draft regulations are being made available along with this statement of emergency for public comment. The regulations will be presented for CPCFA board approval at a public meeting scheduled for December 17, 2008 at 10:30 A.M. in Rm. 587 of the Jesse M. Unruh Building, 915 Capitol Mall, Sacramento, CA 95814.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Paparian', with a horizontal line extending to the right.

Michael Paparian,
Executive Director

Attachment: Regulatory Changes Under Consideration

cc: Sherri Wahl, Treasury Program Manager
Bob Hedrick, CPCFA Legal Counsel
Aaron C. Todd, CalCAP Program Manager

Regulatory Changes Under Consideration

Section 8070

1. "Fees" Definition- This amendment changes the definition so that "Fee or Fees" means a fee or fees as set forth in Health and Safety Code Section 44559.4(c).
2. "Financial Institution" Definition- This amendment changes the definition so that a "Financial Institution" is defined as an institution as set forth in Health and Safety Code Section 44559.1(d)(1)(2)(3).
3. "Qualified Loan" Definition- Clarifies that a Qualified Loan does not include any loan or portion thereof to the extent that enrollment of the loan will cause the Borrower (including all related entities among which a common enterprise exists) to have a total enrolled principal amount from all Participating Financial Institutions in excess of \$1,500,000.

Section 8072

1. Clarifies that Participating Financial Institutions are required to certify the principal amount of the loan (without regard to the amount to be enrolled) does not exceed \$1,500,000.
2. Clarifies that qualified loans equal too or greater than \$500,000 must be submitted to CPCFA for pre-approval.

Section 8076

1. Add a provision where the Executive Director of the Authority can terminate the participation of a Participating Financial Institution in the Program for providing false or misleading information regarding the Participating Financial Institution to the authority, or failure to provide the authority with notice of material changes in submitted information regarding the participating financial institution.

Section 8078

1. Add the requirement that Independent Contributors enter into a reimbursement agreement with CPCFA to cover the cost associated with the administration of Independent Contributor Programs, unless waived by the Authority.
2. Add a provision that exempts Independent Contributors contributions to loan loss reserve accounts from the maximum limitations as set forth in Health and Safety Code Section 44594.4(c).

Section 8078.1

1. Insert a section for allowing Participating Financial Institutions that choose to participate in special programs funded by Independent Contributors to receive preferred lender status. Where an Independent Contributor elects to pay the matching contribution and the borrower's fee or the matching contribution and all fees and funds are available, designated Participating Financial Institutions can participate as preferred lenders and process, close, service, and liquidate CalCAP guaranteed loans with reduced requirements for documentation to and prior approval by the Authority.